

## Message Text

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C O N F I D E N T I A L STOCKHOLM 00703

DEPARTMENT PASS SECDEF AND CSAF

E.O. 11652: GDS

TAGS: PFOR, MASS, SW

SUBJECT: LOCKHEED/SWEDISH AIR FORCE ASSOCIATION - C P PURC CNE

SUMMARY: TRIGGERED BY RELEASES BY U.S. SENATE INVESTIGATIONS, THE SWEDISH PRESS REPORTED ON FRIDAY THAT SWEDISH AIR FORCE CINC LTGEN DICK STENBERG WAS IMPLIED TO HAVE ACCEPTED A BRIBE FROM LOCKHEED RELATING TO THE SALE OF A C-130 AIRCRAFT TO SWEDEN. SAS WAS ALSO NAMED. SUBSEQUENT REPORTING OVER THE WEEKEND WAS MAINLY DENIALS BY STENBERG AND SAS AND TODAY'S PRESS CARRIED THE STORY THAT STENBERG, SCHEDULED TO VISIT U.S. 16-26 FEBRUARY AS GUEST OF CSAF, WOULD CANCEL HIS VISIT UNLESS ASSURED BY THE AMERICAN AND SWEDISH GOVERNMENTS THAT HE WAS NOT SUSPECTED OF HAVING ACCEPTED A BRIBE. END SUMMARY.

1. THE SWEDISH AIR FORCE CURRENTLY OWNS THREE C-130 AIRCRAFT. THEY WERE DELIVERED IN 1965, 1969 AND 1975 . THE DECISION TO PURCHASE C-130 AIRCRAFT WAS MADE IN 1964 AFTER A FLY-OFF AGAINST OTHER SIMILAR AIRCRAFT. LTGEN STENBERG WAS AT THAT TIME A COLONEL AND WAS A WING COMMANDER. STENBERG BECAME CINC SWEDISH AIR FORCE IN 1973. DURING THE SAME YEAR HE BECAME A MEMBER OF THE BOARD OF CROWN AIR, A DOMESTIC FEEDER AND CHARTER

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AIRLINE. CROWN AIR'S OWNERSHIP AT THAT TIME WAS THE SWEDISH

GOVERNMENT 50 PER CENT, FINJEFLYG 25 PER CENT, AND ABA 25 PER CENT. (ABA IS THE MOTHER COMPANY OF SAS). IN DECEMBER 1974, CROWN AIR PURCHASED A COMPANY NAMED SVENSK FLYGTJANST WHICH WAS LOCKHEED'S REPRESENTATIVE IN SWEDEN. IN JULY 1975, THE TWO COMPANIES MERGED TO BECOME SWEDAIR. SWEDAIR ACTED AS LOCKHEED'S AGENT IN THE SALE OF THE THIRD C-130, A DEAL WORTH 34 MILLION SWEDISH CROWNS AND HAS AS YET TO RECEIVE ITS COMMISSION OF SLIGHTLY LESS THAN ONE PER CENT. AS CINC SAF, STENBERG HAD REQUESTED AUTHORIZATION TO PURCHASE THE THIRD C-130 DURING THE SUMMER OF 1974. PERMISSION WAS GRANTED AND ARRANGEMENTS WERE MADE TO TAKE A C-130 FROM THE LOCKHEED ASSEMBLY LINE THAT HAD PREVIOUSLY BEEN DESIGNATED FOR THE USAF.

2. LOCKHEED-GEORGIA, UPON LEARNING THAT SWEDAIR, THE LOCKHEED REPRESENTATIVE IN SWEDEN, WAS PARTIALLY OWNED BY THE SWEDISH GOVERNMENT, QUESTIONED THEIR PARIS OFFICE ON THE PROPRIETY OF PAYING A COMMISSION TO SWEDAIR ON THE SALE OR, IN A MANNER OF SPEAKING, PAYING A COMMISSION TO THE CUSTOMER. THE REPLY, AN INTERNAL LOCKHEED TELEGRAM, FORMS THE BASIS FOR THE IMPLICATION THAT STENBERG OR SAS WAS BRIBED SINCE STENBERG SITS ON THE BOARD OF SWEDAIR AND AN SAS PARENT COMPANY IS A PART OWNER. THIS REPLY, AMBIGUOUSLY WORDED FOR SOMEONE OUTSIDE THE NEGOTIATION READS AS FOLLOWS:

QUOTE RE MY 1274 AND YOUR 064 ITEM 2. WHILE THIS SITUATION IS DIFFICULT FOR US TO UNDERSTAND IT IS A VERY NORMAL MODE OF OPERATION IN THE TYPE OF STATE CAPITALISM PRACTISED IN SWEDEN. THEY CONSIDER IT, ESSENTIAL THAT A STATE-OWNED COMPANY (E.G. SWEDAIR) MAKES A PROFIT. AND IF, AS IN THIS CASE, PART OF THEIR PROFITS DERIVE FROM COMMISSIONS, THAT TOO IS NORMAL. THE FACT THAT COMMISSIONS ARE IN SOME FORM PASSED ON TO THE RSAF DOES NOT BOTHER ANYBODY BECAUSE THERE ARE COMMISSIONS INVOLVED IN EVERY PURCHASE OF EQUIPMENT THEY MAKE FROM FOREIGN FIRMS. THIS SUBJECT HAS IN FACT ALREADY BEEN AIRED DURING THE COURSE OF AUDITS CONDUCTED PREPARATORY TO THE NEGOTIATIONS. WHEN STENBERG SITS ON SWEDAIR'S BOARD HIS HAT IS TURNED THE RIGHT WAY AND AS LONG AS THE COMMISSIONS ARE NOT TOO MUCH - OR TOO LITTLE - HE SHOULD BE SATISFIED. INDEED, IF HE COULD BE OF SOME HELP TO SWEDAIR WITHOUT MISMANAGING HIS AIR FORCE HE WOULD BE EXPECTED TO DO SO. UNQUOTE.

3. MR. ROBERT HANSON, THE PARIS REPRESENTATIVE WHO SENT THIS  
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TELEGRAM SPOKE WITH THE DEFENSE ATTACHE TODAY AND EXPLAINED THE WORDING OF THE CABLE AS FOLLOWS: THE SITUATION REFERRED TO IS THE PARTIAL OWNERSHIP OF SWEDAIR BY THE SWEDISH GOVERNMENT. THE STATEMENT ON COMMISSIONS BEING PASSED ON TO THE RSAF REFERS TO THE FACT THAT THE RSAF PAID THE BURDEN FOR THE COMMISSION IN THE PURCHASE PRICE WHICH THEN CAME BACK TO SWEDAIR AND, TO WHATEVER EXTENT, THE SWEDISH GOVERNMENT. THE SECOND TO THE LAST SENTENCE MEANS THAT WHEN STENBERG SITS FOR SWEDAIR, HE HAS

SWEDAIR'S INTEREST IN MIND. HANSON IS IN STOCKHOLM TO ASSURE THE SWEDISH GOVERNMENT AND THE SWEDISH MEDIA THAT NO BRIBES WERE PAID AND THAT THERE WAS NO UNDUE INFLUENCE EXERCISED BY STENBERG IN THIS MATTER.

4. IT WOULD BE UNFORTUNATE, INDEED, IF STENBERG CANCELS HIS VISIT TO THE U.S. CERTAINLY, NOBODY'S INTEREST WOULD BE SERVED BY SUCH ACTION. ALTHOUGH OUR ABILITY TO ANALYZE STENBERG'S CHARACTER IS LIMITED HE HARDLY SEEMS TO BE THE KIND OF MAN WHO WOULD BECOME INVOLVED IN SUCH AN ACTION.  
STRAUSZ-HUPE'

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